

## Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 PA-03 PRS-01

USIA-15 L-03 H-03 DRC-01 CEA-02 AGR-20 /161 W

----- 111801

R 171030Z SEP 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6819

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USECMISSION BRUSSELS

USOECD MISSION PARIS

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJ: JAPAN'S BALANCE OF PAYMENTS IN AUGUST -- PROVISIONAL

REF: TOKYO 11897

SUMMARY: HIGHLIGHTS OF AUG BALANCE OF PAYMENTS TRANSMITTED  
IN REFTEL. FOLLOWING ARE FURTHER DETAILS. END SUMMARY.

1. JAPAN'S TRADE BALANCE IN AUG (PROVISIONAL) RECORDED THE  
FIRST DEFICIT ON SEASONALLY ADJUSTED BASIS SINCE APR 66.

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GOJ ANALYSTS DO NOT INTERPRET AUG DEVELOPMENTS AS SIGNIFY-

ING FUNDAMENTAL CHANGE. EXPORTS FOR THE MONTH WERE DOWN 3.8 PERCENT FROM JULY, BREAKING STEADY UPWARD TREND (EXCEPT FOR FEB-MAR 73) SINCE MID-1972. GOJ ANALYSTS CITE DECREASE IN SHIP DELIVERIES AS PROBABLY ONLY TEMPORARY DELAYS, AS WELL AS PROBLEM OF PROPER SEASONAL ADJUSTMENT FOR VACATION PERIOD IN AUG. UNUSUALLY RAPID GROWTH OF IMPORTS OF 13.5 PERCENT WELL DISTRIBUTED THROUGHOUT IMPORTANT CATEGORIES. ANALYSTS NOTE PRICES UP SUBSTANTIALLY MORE THAN VOLUME DURING PAST YEAR. IMPORT VOLUME GROWTH ONLY SLIGHTLY LARGER THAN PROJECTED FROM PAST RELATIONSHIP TO INDUSTRIAL PRODUCTION GROWTH. HOWEVER, SUCH ANALYSIS HINDERED BY SEVERE INACCURACIES IN IMPORT (AND EXPORT) PRICE INDICES. WITH FOREIGN RAW MATERIAL PRICES APPARENTLY PEAKING OUT, EXPECTATION IS THAT IN LATER MONTHS GROWTH IN VALUE OF IMPORTS WILL SHOW SLOWER RATE OF INCREASE THAN DURING PAST INFLATIONARY PERIOD.

COMMENT: GOJ ANALYSTS FAILED TO MENTION CURRENT DOMESTIC SITUATION OF SUPPLY LIMITATIONS FOR MANY GOODS IN FACE OF STRONG DOMESTIC DEMAND PULL FACTORS, WHICH MAY BE VERY RELEVANT IN EXPLAINING CURRENT TRADE DEVELOPMENTS.

2. ON SEASONALLY ADJUSTED BASIS, CURRENT ACCOUNT DEFICIT IN AUG WAS \$374 MIL (IN JULY SURPLUS OF \$98 MIL), INCLUDING TRADE DEFICIT OF \$84 MIL (IN JULY SURPLUS OF \$393 MIL). SEASONALLY ADJUSTED EXPORTS REGISTERED \$2,949 MIL IN AUG (IN JULY \$3,065 MIL), WHILE IMPORTS REGISTERED \$3,033 MIL (IN JULY \$2,672 MIL).

3. PROVISIONAL UNADJUSTED DATA JAPAN'S BALANCE OF PAYMENTS IN AUG IN MIL DOLLARS (AUG 72 DATA IN PAREN): OVERALL BALANCE MINUS 870 (PLUS 557); EXPORTS 2,920 (UP 22.4 PERCENT FROM 2,386); IMPORTS F.O.B. 2,840 (UP 71.2 PERCENT FROM 1,659); SERVICES AND TRANSFERS COMBINED MINUS 290 (MINUS 102); LONG-TERM CAPITAL MINUS 560 (MINUS 334); SHORT-TERM NONMONETARY CAPITAL AND ERRORS AND OMISSIONS MINUS 100 (PLUS 266). RATE OF EXCHANGE USED FOR AUG WAS YEN 265.03 PER DOLLAR AND FOR JULY YEN 264.46 PER DOLLAR.

4. PUBLISHED OFFICIAL RESERVES DOWN \$32 MIL IN AUG TO \$15,126 MIL. GOLD AND FOREIGN EXCHANGE TOTALED \$13,947  
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MIL, GOLD TRANCHE \$666 MIL, AND SDR'S \$513 MIL.

5. PRELIMINARY CUSTOMS DATA FIGURES ARE ALSO PRESENTED AS USUAL IN DOLLARS. HOWEVER, RATE OF EXCHANGE USED FOR AUG 73 WAS YEN 265.04 PER DOLLAR FOR EXPORTS AND YEN 265.02 FOR IMPORTS. PRELIMINARY CUSTOMS DATA SHOW GLOBAL EXPORTS \$2,981 MIL (YEN 789,988 MIL) UP 22.9 PERCENT AND IMPORTS \$3,433 MIL (YEN 909,834 MIL) UP 68.0 PERCENT FROM YEAR AGO.

TOTAL EXPORTS TO U.S. IN MIL DOLLARS 750.9, UP 1.3 PERCENT  
FROM AUG 72. IMPORTS FROM U.S. 771.4, UP 52.2 PERCENT.

6. BY SPECIAL CLASSIFICATION, GLOBAL IMPORTS OF AGRICULTURAL  
GOODS UP 73.5 PERCENT FROM AUG 72, CONSUMER NONDURABLES UP  
167.7 PERCENT, CONSUMER DURABLES UP 68.3 PERCENT, INDUSTRIAL  
SUPPLIES UP 67.4 PERCENT, AND CAPITAL EQUIPMENT UP 42.6 PERCENT.  
IMPORTS OF IRON ORE AND STEEL SCRAP UP 24.5 PERCENT AND  
210.8 PERCENT RESPECTIVELY; IMPORTS OF COAL AND CRUDE OIL DOWN  
0.9 PERCENT AND UP 67.9 PERCENT RESPECTIVELY; IMPORTS OF  
SOYBEANS UP 61.9 PERCENT; IMPORTS OF LUMBER UP 103.4  
PERCENT.

7. CUSTOMS EXPORTS TO U.S.: TV'S UP 3.2 PERCENT FROM AUG 72,  
RADIOS UP 2.0 PERCENT, TAPE RECORDERS UP 3.6 PERCENT, OPTICAL  
INSTRUMENTS UP 22.5 PERCENT IRON AND STEEL DOWN 33.2  
PERCENT, SYNTHETIC TEXTILES DOWN 8.9 PERCENT, CLOTHING DOWN  
14.3 PERCENT, CHEMICALS DOWN 19.4 PERCENT, COTTON FABRICS  
DOWN 68.7 PERCENT, FOODSTUFFS UP 2.3 PERCENT, FISH AND  
SHELLFISH UP 4.3 PERCENT. EXPORTS OF OFFICE EQUIPMENT UP  
86.6 PERCENT AND THOSE OF METAL PRODUCTS UP 14.6 PERCENT.

8. CUSTOMS IMPORTS FROM U.S.: TOTAL FOODS UP 81.1 PERCENT  
FROM AUG 72, BEEF UP 231.9 PERCENT, FISH AND SHELLFISH UP  
166.3 PERCENT, SOYBEANS UP 36.3 PERCENT, FEED CORN  
UP 126.1 PERCENT, SORGHUM UP 6.0 PERCENT, WHEAT UP 56.4  
PERCENT, RAW COTTON UP 212.1 PERCENT. LUMBER WAS UP 66.4  
PERCENT, OFFICE EQUIPMENT UP 44.5 PERCENT, AIRCRAFT UP  
201.9 PERCENT, TOYS AND INDOOR GAMES DOWN 82.6 PERCENT.  
THOSE OF METAL MATERIALS WERE UP 114.9 PERCENT, CHEMICALS  
UP 41.4 PERCENT AND NONFERROUS METALS UP 363.9 PERCENT.  
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